

**AR-WE-VA  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

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**AR-WE-VA COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

(Before September, 2006 Election)

Jeffrey Luetje	President	2007
Lanice Kock	Vice President	2006
Beth Liechti		2008
Della Osbourne		2006
Mike Leahy		2008

(After September, 2006 Election)

Jeffrey Luetje	President	2007
Lanice Kock	Vice President	2009
Mike Leahy		2008
Jessica Lesko		2009
Beth Leichti		
(Resigned, November, 2006)		
Tony Greve		
(elected, March, 2007)		
		2008

**SCHOOL OFFICIALS**

Kurt Brosamle	Co-Superintendent
Dana Kunze	Co-Superintendent
Rebecca Friederichs	District Secretary/ Treasurer

# BRUCE D. FRINK

## Certified Public Accountant

### Independent Auditor's Report

#### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

#### Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

#### Plus:

- Over 25 years of Expertise and Experience
- Evenings & Saturdays Available
- Extended Hours During Tax Season

To The Board of Education of  
Ar-We-Va Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ar-We-Va Community School District, Westside, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

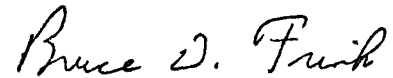
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Ar-We-Va Community School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated February, 13, 2008, on our consideration of Ar-We-Va Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 29 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ar-We-Va Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bruce D. Frink".

**BRUCE D. FRINK**  
**Certified Public Accountant**

February 13, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **AR-WE-VA COMMUNITY SCHOOL DISTRICT**

Ar-We-Va Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$3,261,800 in fiscal year 2006 to \$3,223,910 in fiscal year 2007, while General Fund expenditures increased from \$3,384,016 in fiscal year 2006 to \$3,381,117 in fiscal 2007.
- The decrease in General Fund revenues was primarily attributable to a decrease in tuition income and federal revenues that was offset by a decreases in administrative and transportation costs. The decrease in expenditures was due primarily to an increase in the negotiated salary and benefits.
- The School Infrastructure Local Option Sales Tax is collected in Carroll and Crawford Counties. These monies are being used for improvements to district facilities and equipment purchases.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Ar-We-Va Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Ar-We-Va Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Ar-We-Va Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

**Ar-We-Va Community School District Annual Financial Report**

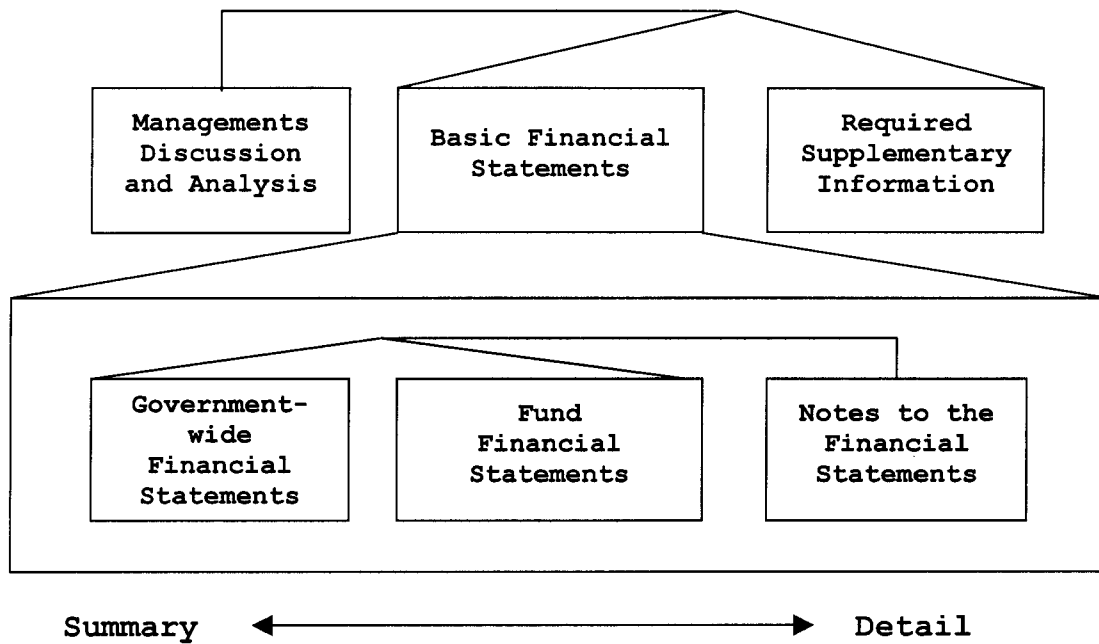


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>			
	<b>Government-wide Statements</b>	<b>Fund Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service
Required financial statements	<ul style="list-style-type: none"> <li>. Statement of Net Assets</li> <li>. Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>. Balance sheet</li> <li>. Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>. Statement of Net Assets</li> <li>. Statement of Revenues, Expenses and Changes in Net Assets</li> <li>. Statement of Cash Flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide Financial Statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Child Care Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a statement of revenues, expenses, changes in net assets and a Statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets** - Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	<b>Governmental</b>		<b>Business type</b>		<b>Total</b>		<b>Total</b>
	<b>Activities</b>		<b>Activities</b>		<b>District</b>		<b>Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2006-07</b>
	\$	\$	\$	\$	\$	\$	
Current assets	2,441	2,495	14	34	2,455	2,529	-2.93%
Capital assets	557	437	19	6	576	443	30.02%
<b>Total assets</b>	<u>2,998</u>	<u>2,932</u>	<u>33</u>	<u>40</u>	<u>3,031</u>	<u>2,972</u>	<u>1.99%</u>
Current liabilities	1,279	1,220	-	-	1,279	1,220	4.84%
Non-current liabilities	15	11	-	-	15	11	36.36%
<b>Total liabilities</b>	<u>1,294</u>	<u>1,231</u>	<u>-</u>	<u>-</u>	<u>1,294</u>	<u>1,231</u>	<u>5.12%</u>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	557	437	19	6	576	443	30.02%
Restricted	168	121	-	-	168	121	38.84%
Unrestricted	979	1,143	14	34	993	1,177	-15.63%
<b>Total net assets</b>	<u>1,704</u>	<u>1,701</u>	<u>33</u>	<u>40</u>	<u>1,737</u>	<u>1,741</u>	<u>-0.23%</u>

Investment in capital assets increased over 39% as the District purchased two vehicles and purchased over \$140,000 in computer hardware. Restricted assets decreased as the District used its local option sales tax monies for a variety of projects including bus replacement. The unrestricted funds decreased as a result of using General Fund monies for food service salaries and decreased revenues.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

**Figure A-4**  
**Change in Net Assets**  
**(Expressed in Thousands)**

	<b>Governmental Activities</b>		<b>Business type Activities</b>		<b>Total School District</b>		<b>Total Change</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2006-2007</b>
	\$	\$	\$	\$	\$	\$	%
Revenues:							
Program revenues:							
Charges for service and sales	63	124	79	83	142	207	-31.40%
Operating grants, contributions and restricted interest	629	668	68	79	697	747	-6.69%
General revenues:							
Property tax	1,215	1,117	-	-	1,215	1,117	8.77%
Income surtax	91	77	-	-	91	77	18.18%
Local option sales tax	225	183	-	-	225	183	22.95%
Unrestricted state grants	1,389	1,419	-	-	1,389	1,419	-2.11%
Unrestricted investment earnings	50	26	-	-	50	26	92.31%
Other	80	31	-	-	80	31	158.06%
Total revenues	<u>3,742</u>	<u>3,645</u>	<u>147</u>	<u>162</u>	<u>3,889</u>	<u>3,807</u>	<u>2.15%</u>
Program expenses:							
Governmental activities:							
Instruction	2,386	2,291	-	-	2,386	2,291	4.15%
Support Services	1,070	1,097	-	-	1,070	1,097	-2.46%
Non-instructional programs	18	-	154	150	172	150	14.67%
Other expenses	265	305	-	-	265	305	-13.11%
Total expenses	<u>3,739</u>	<u>3,693</u>	<u>154</u>	<u>150</u>	<u>3,893</u>	<u>3,843</u>	<u>1.30%</u>
Change in net assets	<u>3</u>	<u>(48)</u>	<u>(7)</u>	<u>12</u>	<u>(4)</u>	<u>(36)</u>	<u>-88.89%</u>

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$3,645,643 and expenses were \$3,738,534.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-2007	2007	2006	Change 2006-2007
	\$	\$		\$	\$	
Instruction	2,386	2,291	4.15%	1,829	1,638	11.66%
Support Services	1,070	1,097	-2.46%	1,068	1,085	-1.57%
Noninstructional	18	-	100.00%	18	-	100.00%
Other expenses	265	305	-13.11%	132	178	-25.84%
Totals	3,739	3,693	1.25%	3,047	2,901	5.03%

- The cost financed by users of the District's programs was \$62,688.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$360,438.
- The net cost of governmental activities was financed with \$1,215,087 in property tax, \$1,389,184 in state foundation aid, and \$49,797 in interest income.

## Business-Type Activities

Revenues of the District's business type activities were \$147,164 and expenses were \$154,658. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The District's General Fund paid for over \$18,000 in salaries, that are not included above.

## INDIVIDUAL FUND ANALYSIS

As previously noted Ar-We-Va Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,704,234, a slight increase over last year's ending fund balances of \$1,700,865. The primary reason was the continuation of control over discretionary spending.

## Governmental Fund Highlights

- The District has implemented various methods to increase offerings to all students.
- With the available PPEL and Capital Projects dollars the District was able to purchase a new bus and computers.
- The District reduced an administrator by not replacing the retired superintendent. In a unique situation, the two buildings principals share the superintendent duties.

## **Proprietary Fund Highlights**

The District's Nutrition Fund decreased by over \$7,000. The cash balance decreased due to the purchase of over \$15,000 of equipment and reduced revenues due to lower meal counts.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on page 29.

### **Legal Budgetary Highlights**

The District's receipts were \$480,000 less than budgeted receipts. The most significant variance resulted from the District receiving less in tuition, state aid and federal aid than originally anticipated.

Total expenditures were less than budgeted by over \$1,800,000. Ar-We-Va Community School District budgets expenditures at the maximum authorized spending authority. The budget should exceed actual expenditures using this approach. Expenditures did not exceed the amounts budgeted in any of the four functions.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2007, the District had invested over \$1.7 million in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. The District has invested heavily in the past several years to maintain its technology, transportation and facilities. Depreciation expense for the year was over \$116,000.

### **Long-Term Debt**

The District's long-term debt consists of its early retirement program. Payments are made in the year following resignation.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The SILO tax was passed and money began to be received by the District in fiscal 2004. This will allow the District to maintain its facilities and purchase equipment items not otherwise affordable.
- The District's enrollment decreased by 17.8 students in fiscal year 2007. Maintaining enrollment as well as adequate allowable growth will be critical in the coming years.
- The voters of the District approved the issue of \$1,005,000 of general obligation bonds to be used for new construction and remodeling of facilities.

- The District has been active in pursuing options for increasing the educational opportunities for all of its students, particularly high school. These will hopefully save costs as well as make the District more attractive to students.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rebecca Friederichs, District Secretary, Ar-We-Va Community School District, 108 Clinton St, Westside, IA 51467.

## **Basic Financial Statements**

## AR-WE-VA COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	1,059,867	13,680	1,073,547
Receivables:			
Property tax:			
Current year	7,169	-	7,169
Succeeding year	1,278,004	-	1,278,004
Income surtax - succeeding year	73,360	-	73,360
Due from other governments	22,941	-	22,941
Inventory	-	349	349
Capital assets, net of accumulated depreciation	556,957	18,980	575,937
<b>Total assets</b>	<u>2,998,298</u>	<u>33,009</u>	<u>3,031,307</u>
<b>Liabilities</b>			
Accounts payable	1,060	-	1,060
Deferred revenue:			
Succeeding year property tax	1,278,004	-	1,278,004
Long-term liabilities:			
Portion due within one year:			
Early retirement	15,000	-	15,000
<b>Total liabilities</b>	<u>1,294,064</u>	<u>-</u>	<u>1,294,064</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	556,957	18,980	575,937
Restricted for:			
Management levy	62,661	-	62,661
Physical plant and equipment levy	24,540	-	24,540
Capital projects	81,487	-	81,487
Unrestricted	978,589	14,029	992,618
<b>Total net assets</b>	<u>1,704,234</u>	<u>33,009</u>	<u>1,737,243</u>

See notes to financial statements.



## AR-WE-VA COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2007

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
	\$	\$	\$	\$	\$	\$
<b>Functions/Programs</b>						
Governmental activities:						
Instruction:	2,386,143	62,688	495,024	(1,828,431)	-	(1,828,431)
Support services:						
Student services	46,063	-	-	(46,063)	-	(46,063)
Instructional staff services	36,208	-	-	(36,208)	-	(36,208)
Administration services	482,073	-	79	(481,994)	-	(481,994)
Operation and maintenance of plant services	259,977	-	1,924	(258,053)	-	(258,053)
Transportation services	245,699	-	-	(245,699)	-	(245,699)
	1,070,020	-	2,003	(1,068,017)	-	(1,068,017)
Noninstructional programs:						
Food service operations	18,060	-	-	(18,060)	-	(18,060)
Other expenditures:						
AEA flowthrough	131,790	-	131,790	-	-	-
Facilities acquisition and construction	80,384	-	163	(80,221)	-	(80,221)
Depreciation (unallocated)*	52,137	-	-	(52,137)	-	(52,137)
	264,311	-	131,953	(132,358)	-	(132,358)
Total governmental activities	3,738,534	62,688	628,980	(3,046,866)	-	(3,046,866)

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Operating Grants, Contributions and Restricted Interest			Business Type Activities		
Expenses	Charges for Service			Governmental Activities		Total
\$	\$	\$		\$	\$	\$
Business type activities:						
Non-instructional programs:						
Nutrition services	154,658	78,850	68,314	-	(7,494)	(7,494)
Total	<u>3,893,192</u>	<u>141,538</u>	<u>697,294</u>	<u>(3,046,866)</u>	<u>(7,494)</u>	<u>(3,054,360)</u>
<b>General revenues:</b>						
Property tax levied for:						
General purposes				1,063,869	-	1,063,869
Management				117,082	-	117,082
Capital outlay				34,136	-	34,136
Income surtax				91,088	-	91,088
Local option sales tax				225,101	-	225,101
Unrestricted state grants				1,389,184	-	1,389,184
Unrestricted investment earnings				49,797	-	49,797
Other				79,978	-	79,978
Total general revenue				<u>3,050,235</u>	<u>-</u>	<u>3,050,235</u>
Change in net assets				3,369	(7,494)	(4,125)
Net assets beginning of year				<u>1,700,865</u>	<u>40,503</u>	<u>1,741,368</u>
Net assets end of year				<u>1,704,234</u>	<u>33,009</u>	<u>1,737,243</u>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

## AR-WE-VA COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2007

	General	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	863,001	62,447	134,419	1,059,867
Receivables:				
Property tax:				
Current year	6,234	-	935	7,169
Succeeding year	1,113,463	-	164,541	1,278,004
Income surtax - succeeding year	73,360	-	-	73,360
Due from other governments	3,901	19,040	-	22,941
<b>Total assets</b>	<u>2,059,959</u>	<u>81,487</u>	<u>299,895</u>	<u>2,441,341</u>
<b>Liabilities and Fund Balance</b>				
Liabilities:				
Accounts payable	1,060	-	-	1,060
Deferred revenue:				
Succeeding year property tax	1,113,463	-	164,541	1,278,004
Succeeding year income surtax	73,360	-	-	73,360
Total liabilities	<u>1,187,883</u>	<u>-</u>	<u>164,541</u>	<u>1,352,424</u>
Fund balances:				
Reserved for capital projects	-	81,487	-	81,487
Unreserved fund balance	872,076	-	135,354	1,007,430
Total fund balance	<u>872,076</u>	<u>81,487</u>	<u>135,354</u>	<u>1,088,917</u>
<b>Total liabilities and fund balances</b>	<u>2,059,959</u>	<u>81,487</u>	<u>299,895</u>	<u>2,441,341</u>

See notes to financial statements.

## AR-WE-VA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2007

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 1,088,917
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Income surtax receivable at June 30, 2007 is not recognized as a revenue until received in the governmental funds, however it is shown as a revenue in the Statement of Activities in the year of levy, thus no deferred revenue is shown in the Statement of Net Assets	73,360
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	556,957
Long-term liabilities, including early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(15,000)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>\$ 1,704,234</u></u>

See notes to financial statements.

## AR-WE-VA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2007

	General	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,150,133	225,101	151,218	1,526,452
Tuition	62,688	-	-	62,688
Other	129,775	163	136,589	266,527
State sources	1,717,452	-	98	1,717,550
Federal sources	163,862	-	-	163,862
Total revenues	<u>3,223,910</u>	<u>225,264</u>	<u>287,905</u>	<u>3,737,079</u>
Expenditures:				
Current:				
Instruction	<u>2,298,402</u>	<u>107,389</u>	<u>142,597</u>	<u>2,548,388</u>
Support services:				
Student services	46,063	-	-	46,063
Instructional staff services	35,458	-	750	36,208
Administration services	407,026	-	75,047	482,073
Operation and maintenance of plant services	259,977	-	-	259,977
Transportation services	184,341	66,855	-	251,196
	<u>932,865</u>	<u>66,855</u>	<u>75,797</u>	<u>1,075,517</u>
Noninstructional programs				
Food service operations	<u>18,060</u>	<u>-</u>	<u>-</u>	<u>18,060</u>
Other expenditures:				
AEA flowthrough	131,790	-	-	131,790
Facilities acquisition and construction	-	65,454	14,930	80,384
	<u>131,790</u>	<u>65,454</u>	<u>14,930</u>	<u>212,174</u>
Total expenditures	<u>3,381,117</u>	<u>239,698</u>	<u>233,324</u>	<u>3,854,139</u>
Excess (deficiency) of revenues over (under) expenditures	(157,207)	(14,434)	54,581	(117,060)
Fund balances beginning of year	<u>1,029,283</u>	<u>95,921</u>	<u>80,773</u>	<u>1,205,977</u>
Fund balances end of year	<u><u>872,076</u></u>	<u><u>81,487</u></u>	<u><u>135,354</u></u>	<u><u>1,088,917</u></u>

See notes to financial statements.

## AR-WE-VA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2007

**Net change in fund balances - total governmental funds (Exhibit E)** \$ (117,060)

**Amounts reported for governmental activities in the  
statement of activities are different because:**

Income surtaxes not collected for several months after the District's  
fiscal year ends are not considered "available" revenues in the  
governmental funds and are included as deferred revenues. They are,  
however, recorded as revenues in the statement of activities 4,824

Capital outlays to purchase or build capital assets are reported in  
governmental funds as expenditures. However, those costs are  
reported in the Statement of Net Assets and are allocated over their  
estimated useful lives as depreciation expense in the Statement of  
Activities. The amounts of capital outlays and depreciation expense  
in the year are as follows:

Expenditures for capital assets	\$ 233,100	
Depreciation expense	<u>(113,495)</u>	119,605

Early retirement benefits accrued in the current year increase  
long-term liabilities. (15,000)

Early retirement expenses reported in the Statement of Activities do  
not require the use of current financial resources and, therefore, are  
not reported as expenditures in the governmental funds. 11,000

**Change in net assets of governmental activities (Exhibit B)** \$ 3,369

## AR-WE-VA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund

Year ended June 30, 2007

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>78,850</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	42,599
Benefits	5,396
Supplies	103,626
Depreciation	<u>3,037</u>
Total operating expenses	<u>154,658</u>
Operating (loss)	<u>(75,808)</u>
Non-operating revenues:	
State sources	2,125
Federal sources	66,061
Interest income	<u>128</u>
	<u>68,314</u>
Changes in net assets	(7,494)
Net assets beginning of year	<u>40,503</u>
Net assets end of year	<u><u>33,009</u></u>

See notes to financial statements.

## AR-WE-VA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2007

	School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	78,850
Cash payments to employees for services	(47,995)
Cash payments to suppliers for goods or services	(94,494)
Net cash (used in) operating activities	(63,639)
Cash flows from non-capital financing activities:	
State grants received	2,125
Federal grants received	58,790
Net cash provided by non-capital financing activities	60,915
Cash flows from capital financing activities:	
Acquistion of fixed assets	(15,655)
Cash flows from investing activities:	
Interest on investments	128
Net increase in cash and cash equivalents	(18,251)
Cash and cash equivalents beginning of year	31,931
Cash and cash equivalents end of year	13,680
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>	
Operating (loss)	(75,808)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	3,037
Commodities used	7,271
Decrease in inventory	1,861
	(63,639)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	13,680

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2007, the District received federal commodities valued at \$7,271.

See notes to financial statements.



## AR-WE-VA COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2007

#### (1) Summary of Significant Accounting Policies

Ar-We-Va Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Arcadia, Vail and Westside, Iowa, and agricultural area in Carroll and Crawford Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Ar-We-Va Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Ar-We-Va Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Carroll and Crawford Counties Assessor's Conference Boards.

##### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2007.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures did not exceed the amount budgeted in any of the four functions.

### (2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2007.

### (3) **Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	54,700	-	-	54,700
Capital assets being depreciated:				
Site Improvements	135,753	-	-	135,753
Buildings	944,636	-	-	944,636
Furniture and Equipment	566,889	233,100	-	799,989
Total capital assets being depreciated	1,647,278	233,100	-	1,880,378
Less accumulated depreciation for:				
Site Improvements	73,430	3,280	-	76,710
Buildings	835,355	14,668	-	850,023
Furniture and Equipment	355,841	95,547	-	451,388
Total accumulated depreciation	1,264,626	113,495	-	1,378,121
Total capital assets being depreciated, net	382,652	119,605	-	502,257
Governmental activities, capital assets, net	437,352	119,605	-	556,957

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	44,154	15,655	-	59,809
Less accumulated depreciation	37,792	3,037	-	40,829
Business type activities capital assets, net	<u>6,362</u>	<u>12,618</u>	<u>-</u>	<u>18,980</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Transportation

Unallocated

61,358

52,137

113,495

Business Type activities:

Food service operations

3,037

#### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$125,159, \$126,771, and \$122,861 respectively, equal to the required contributions for each year.

#### (5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$131,790 for year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### (6) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	<u>Early Retirement</u>
Balance beginning of year	\$11,000
Additions	15,000
Reductions	<u>11,000</u>
Balance end of year	<u>\$15,000</u>

Early Retirement - The District offers a voluntary early retirement to teachers. To qualify, a teacher must have been employed at Ar-We-Va Community School District for a minimum length of 15 years at full time, and also be at least 55 years of age. If a teacher met those requirements and chose to retire, the Ar-We-Va Community School District offers him or her \$10,000 to be paid in two installments of \$5,000 on July 1 and February 1 immediately following the year of resignation. A liability has been recorded in the General Long-Term Debt Account Group representing the District's Commitment to fund non-current early retirement.

**(8) Contingency**

The District is involved in litigation regarding an accident that occurred on school property. District legal counsel has advised us that no probable outcome can be determined at the current time, however, it believes that the District's liability should be sufficient to cover any damages that may be allocated to the District.

**(9) Commitments**

The voters of the District approved the issuing of bonds for \$1,005,000 for the remodeling and new construction of facilities. It is anticipated that the project will total \$1.7 million by completion. As of the date of field work, no bonds had been sold nor bid lets in connection with the project.

## Required Supplementary Information



**AR-WE-VA COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts	Final to Actual Variance -
	Actual	Actual	Actual	Original	
	\$	\$	\$	\$	\$
<b>Revenues:</b>					
Local sources	1,855,667	78,978	1,934,645	2,063,482	(128,837)
State sources	1,717,550	2,125	1,719,675	1,986,370	(266,695)
Federal sources	163,862	66,061	229,923	317,000	(87,077)
Total revenues	3,737,079	147,164	3,884,243	4,366,852	(482,609)
<b>Expenditures:</b>					
Instruction	2,548,388	-	2,548,388	3,939,392	1,391,004
Support services	1,128,616	-	1,128,616	1,362,153	233,537
Non-instructional programs	-	154,658	154,658	201,071	46,413
Other expenditures	159,075	-	159,075	302,109	143,034
Total expenditures	3,836,079	154,658	3,990,737	5,804,725	1,813,988
Excess (deficiency) of revenues over (under) expenditures	(99,000)	(7,494)	(106,494)	(1,437,873)	1,331,379
Other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(99,000)	(7,494)	(106,494)	(1,437,873)	1,331,379
Balance beginning of year	1,205,977	40,503	1,246,480	1,419,665	(173,185)
Balance end of year	1,106,977	33,009	1,139,986	(18,208)	1,158,194

See accompanying independent auditor's report.

## **AR-WE-VA COMMUNITY SCHOOL DISTRICT**

### Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functions expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

## Other Supplementary Information

## AR-WE-VA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2007

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash	61,923	48,153	24,343	134,419
Property tax receivable:				
Current year	738	-	197	935
Succeeding year	<u>130,000</u>	<u>-</u>	<u>34,541</u>	<u>164,541</u>
Total assets	<u>192,661</u>	<u>48,153</u>	<u>59,081</u>	<u>299,895</u>
<b>Liabilities and Fund Balance</b>				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	<u>130,000</u>	<u>-</u>	<u>34,541</u>	<u>164,541</u>
	<u>130,000</u>	<u>-</u>	<u>34,541</u>	<u>164,541</u>
Fund balance:				
Unreserved fund balance	<u>62,661</u>	<u>48,153</u>	<u>24,540</u>	<u>135,354</u>
	<u>62,661</u>	<u>48,153</u>	<u>24,540</u>	<u>135,354</u>
Total liabilities and fund balance	<u>192,661</u>	<u>48,153</u>	<u>59,081</u>	<u>299,895</u>

See accompanying independent auditor's report.

## AR-WE-VA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Special Revenue Funds

Year ended June 30, 2007

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	117,082	-	34,136	151,218
Other	2	134,684	1,903	136,589
State sources	77	-	21	98
Total revenues	<u>117,161</u>	<u>134,684</u>	<u>36,060</u>	<u>287,905</u>
Expenditures:				
Instruction:	-	142,597	-	142,597
Support services:				
Student support services	-	-	-	-
Instructional support services	-	-	750	750
Administration services	58,826	-	16,221	75,047
Plant operation and maintenance	-	-	-	-
Student transportation	-	-	-	-
Other expenditures:				
Facility acquisition and construction services	-	-	14,930	14,930
Total expenditures	<u>58,826</u>	<u>142,597</u>	<u>31,901</u>	<u>233,324</u>
Excess (deficiency) of revenues over (under) expenditures	58,335	(7,913)	4,159	54,581
Fund balances beginning of year	<u>4,326</u>	<u>56,066</u>	<u>20,381</u>	<u>80,773</u>
Balance end of year	<u>62,661</u>	<u>48,153</u>	<u>24,540</u>	<u>135,354</u>

See accompanying independent auditor's report.

## AR-WE-VA COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
Activity Resale	-	226	412	(186)
Athletics	27,714	53,643	67,129	14,228
Concessions	6,112	9,128	4,575	10,665
Cheerleaders	-	-	40	(40)
Class of 2005	1,122	-	-	1,122
Class of 2006	422	-	422	-
Class of 2007	-	758	497	261
Class of 2008	285	7,909	5,794	2,400
Class of 2009	-	82	82	-
Dance Team	3,730	3,448	3,846	3,332
Elementary	5,103	17,500	19,474	3,129
FCCLA	539	-	-	539
HS Annual	6,323	10,413	11,210	5,526
Honor Society	791	1,350	990	1,151
Industrial Arts	391	1,718	1,973	136
Music	-	281	498	(217)
School Plays	911	1,256	1,075	1,092
Student Council	1,546	9,570	6,498	4,618
Sixth Grade/Middle School	623	17,002	17,630	(5)
Spirit Club	454	-	-	454
Weight Room	-	400	452	(52)
Total	56,066	134,684	142,597	48,153

See accompanying independent auditor's report.

## AR-WE-VA COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,526,452	1,378,076	1,305,000	1,366,043
Tuition	62,688	90,374	231,661	161,303
Other	266,527	209,451	209,627	287,145
State sources	1,717,550	1,711,092	1,770,346	1,505,133
Federal sources	163,862	257,805	217,064	223,459
Total	<u>3,737,079</u>	<u>3,646,798</u>	<u>3,733,698</u>	<u>3,543,083</u>
Expenditures:				
Instruction	2,548,388	2,291,524	2,242,372	2,170,197
Support services:				
Student	46,063	53,940	73,383	60,110
Instructional staff	36,208	34,705	36,364	33,694
Administration	482,073	491,699	470,222	368,316
Operation and maintenance of plant	259,977	274,312	304,369	340,493
Transportation	251,196	299,595	183,291	227,871
Non-instructional programs	18,060	-	3,522	-
Other expenditures:				
Facilities acquisition	80,384	219,222	166,846	47,451
AEA flowthrough	131,790	126,576	137,685	125,360
Total	<u>3,854,139</u>	<u>3,791,573</u>	<u>3,618,054</u>	<u>3,373,492</u>

See accompanying independent auditor's report.

# BRUCE D. FRINK

## Certified Public Accountant

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

**Member:**

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

**Services:**

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

**Plus:**

- Over 25 years of Expertise and Experience
- Evenings & Saturdays Available
- Extended Hours During Tax Season

To the Board of Education of the  
Ar-We-Va Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ar-We-Va Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 13, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Ar-We-Va Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Ar-We-Va Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ar-We-Va Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Ar-We-Va Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Ar-We-Va Community School District's financial statements that is more than inconsequential will not be prevented or detected by Ar-We-Va Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 07-I-A is a material weakness.

#### Compliance and Other Matters

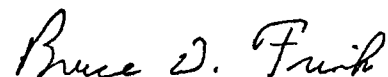
As part of obtaining reasonable assurance about whether Ar-We-Va Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. We noted no instances of non-compliance or other matters to be described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Ar-We-Va Community School District's response to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Ar-We-Va Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ar-We-Va Community School District and other parties to whom Ar-We-Va Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Ar-We-Va Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

February 13, 2008

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

07-I-A      Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

**Part II: Other Findings Related to Required Statutory Reporting:**

07-II-A      Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2007.

07-II-B      Certified Budget - Expenditures for the year ended June 30, 2007, did not exceed the certified budget amounts in any of the four functions.

07-II-C      Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

07-II-D      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

07-II-E      Business Transactions - No business transactions between the District and District officials or employees were noted.

07-II-F      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2007

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued):**

- 07-II-G      Board Minutes - No transactions requiring Board approval, which had not been approved by the Board were noted.
- 07-II-H      Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 07-II-I      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 07-II-J      Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.